

HOUSE BILL REPORT

HB 2471

As Reported by House Committee On:
Technology, Energy & Communications

Title: An act relating to net metering of electricity.

Brief Description: Concerning net metering of electricity.

Sponsors: Representatives McCoy, Chase and Morris.

Brief History:

Committee Activity:

Technology, Energy & Communications: 1/11/10, 1/28/10 [DPS].

Brief Summary of Substitute Bill

- Increases the allowable electrical generating nameplate capacity of a net metering system to one megawatts.
- Allows customer-generators to participate in virtual net metering.
- Specifies that renewable energy credits produced from a net metering system is the property of the customer-generator.

HOUSE COMMITTEE ON TECHNOLOGY, ENERGY & COMMUNICATIONS

Majority Report: The substitute bill be substituted therefor and the substitute bill do pass. Signed by 10 members: Representatives McCoy, Chair; Finn, Vice Chair; Carlyle, Eddy, Hasegawa, Hudgins, Jacks, Morris, Takko and Van De Wege.

Minority Report: Do not pass. Signed by 7 members: Representatives Crouse, Ranking Minority Member; Haler, Assistant Ranking Minority Member; Condotta, Hinkle, McCune, Nealey and Taylor.

Staff: Scott Richards (786-7156).

Background:

Net Metering.

This analysis was prepared by non-partisan legislative staff for the use of legislative members in their deliberations. This analysis is not a part of the legislation nor does it constitute a statement of legislative intent.

Current Washington law allows for the net metering of certain electricity generating systems owned by customer-generators. Net metering means measuring the difference between the electricity supplied by an electric utility and the electricity generated by a customer-generator's net metering system over a billing period. If the electricity supplied by the electric utility exceeds the electricity generated by the customer-generator and fed back to the electric utility during the billing period, the customer-generator is billed for the net electricity supplied by the electric utility.

Excess Generation Credits.

If electricity generated by the customer-generator exceeds the electricity supplied by the electric utility, the customer-generator is: (1) billed for the appropriate customer charges for that billing period; and (2) credited for the excess kilowatt-hours generated during the billing period with the kilowatt-hour credit appearing on the bill for the following billing period. On April 30 of each calendar year, any remaining unused kilowatt-hour credit accumulated during the previous year is granted to the electric utility, without any compensation to the customer-generator.

Net Metering System.

A net metering system is defined as a fuel cell, a facility that produces electricity from used and useful thermal energy from a common fuel source, or a facility for the production of electrical energy that generates renewable energy. Renewable energy is defined as energy generated by a facility that uses water, wind, solar energy, or biogas from animal waste as a fuel. Additionally, a net metering system must: (1) have an electrical generating capacity of not more than 100 kilowatts; (2) be located on the customer-generator's premises; (3) operate in parallel with the electric utility's transmission and distribution facilities; and (4) be intended primarily to offset part or all of the customer-generator's requirements for electricity.

Cumulative Generating Capacity of Net Metering Systems.

Electric utilities must offer to make net metering available to eligible customer-generators on a first-come, first-served basis until the cumulative generating capacity of net metering systems equals 0.25 percent of the utility's peak demand during 1996. On January 1, 2014, the cumulative generating capacity available to net metering systems increases to 0.5 percent of the utility's peak demand during 1996.

Meter Aggregation.

Under current law, electric utilities are required to provide meter aggregation for net metering customer-generators within their service area. Meter aggregation means the administrative combination of readings from and billing for all meters, regardless of the rate class, on premises of a customer-generator located within the service area of a single electric utility. If required by the electric utility in order to provide meter aggregation, the customer-generator must purchase a production meter and necessary software. In calculating the bill of a customer-generator, kilowatt-hour credits earned by a net metering system during the

billing period first must be used to offset electricity supplied by the electric utility. Excess kilowatt-hours credits earned by the net metering system during the same billing period are credited equally by the electric utility to remaining meters located on all premises of a customer-generator at the designated rate of each meter. In aggregating meters, the underlying rate class of that meter does not change. No more than a total of 100 kilowatts may be aggregated among all customer-generators.

Summary of Substitute Bill:

Net Metering System.

The allowable electrical generating nameplate capacity of a net metering system is increased to one megawatt. For electric utilities that are full requirements customers, a net metering system must either: (1) have an electrical generating capacity of no more than 199 kilowatts and be metered by one meter; or (2) have an electrical generating capacity of up to one megawatt and be metered by multiple meters with no meter measuring more than 199 kilowatts in electrical generating capacity. For electric utilities that are not full requirements customers, a net metering system has an electrical generating capacity of not more than one megawatt. A "full requirements customer" is an electric utility that relies on the Bonneville Power Administration for all power needed to supply its total load requirement other than that served by nondispatchable generating resources totaling no more than six megawatts or renewable resources.

Virtual Net Metering.

Electric utilities are required to provide virtual net metering to their customer-generators.

Virtual net metering is the administrative combination of readings from the production meter of a single net metering system and billing for multiple meters, regardless of class, from a group of customer-generators according to an assigned fraction of that net metering system as contracted with a virtual net metering aggregator. For virtual net metering, the net metering system and the group of customer-generators must all be within the same electric distribution system. Additionally, a customer-generator is required to purchase software and associated interconnection equipment necessary to provide meter aggregation, if required by an electric utility. If an electric utility chooses to update its billing software to accommodate meter aggregation, a customer-generator is not required to purchase software.

Assigned Fraction.

The customer-generator's assigned fraction is calculated as the percentage of kilowatt-hours generated by a net metering system deducted from the electrical consumption of a customer-generator. Unless there is a voluntary agreement for smaller fractions, an assigned fraction may not be smaller than:

- one-tenth of a percent (1/1000) and on average produce no less than 1,000 kilowatt-hours annually for utilities with more than 25,000 ratepayers; or

- one percent (1/100) and on average produce no less than 2,000 kilowatt-hours annually for utilities with less than 25,000 ratepayers.

A virtual net metering system may be managed and administered by a virtual net metering aggregator. The virtual net metering aggregator is an entity that: (1) is responsible for professionally managing the net metering system for the life of the project; (2) acts as the sole point of contact with the electric utility, responsible for maintaining and communicating to the electric utility a list of assigned fractions and operating fractions of the electrical output of a net metering system; and (3) registers the net metering system with the Western Renewable Energy Generation Information System and accounts for all renewable energy credit transactions on that system. Additional responsibilities of a virtual net metering aggregator include: (1) submitting an updated list of assigned fractions and operating fractions to the electric utility no more than once per quarter on a date determined by the electric utility; and (2) providing information to the electric utility demonstrating that the assigned fractions and operating fractions equal 100 percent.

Operating Fraction.

Electric utilities are required to buy an operating fraction from the net metering aggregator of the net metering system. An "operating fraction" is defined as the percentage of kilowatt-hours generated by a net metering system that is: (1) specified by the net metering aggregator; (2) not assigned to a customer-generator for virtual net metering; and (3) sold by the virtual net metering aggregator to the utility at the rates, terms, and conditions that would otherwise apply to a renewable energy generation system of the same size as the net metering system.

Excess Credits.

Excess kilowatt-hours credits earned by the virtual net metering system, during the same billing period, must be credited by the electric utility to remaining meters in proportion to the contracted specified fraction for each customer-generator.

Renewable Energy Credits.

All renewable energy credits produced as a result of the generation of electricity from a net metering system is the property of the customer-generator. For renewable energy credits generated through virtual net metering, an assigned fraction of the renewable energy credit is assigned to the customer-generator by the virtual net metering aggregator.

Substitute Bill Compared to Original Bill:

The substitute bill permits customer-generators to participate in virtual net metering. The substitute bill removes provisions that would allow customer-generators to carry over excess kilowatt credits and apply those credits to subsequent bills. The substitute bill removes provisions that allow customer-generators, who do not choose to carry over excess generation credits to subsequent billing periods, the following options: (1) a customer-generator may receive a lump-sum payment for annual net excess generation at the electric utility's avoided cost; (2) the customer-generator may donate excess credits to assist low-

income residential customers served by the utility; or (3) the customer-generator may choose a combination of the first two options. Reduces the allowable electrical generating nameplate capacity of a net metering system from two megawatts to one megawatt. Reduces the cumulative generating capacity available to net metering systems to 0.5 percent from the proposed 5 percent of the utility's peak demand during 1996.

Appropriation: None.

Fiscal Note: Not requested.

Effective Date of Substitute Bill: The bill takes effect 90 days after adjournment of the session in which the bill is passed.

Staff Summary of Public Testimony:

(In support) The bill makes a clearer runway for customer owned electrical generation. Many farmers, especially dairy farmers, would like to interconnect anaerobic digesters in order to supply electricity to the grid, but so far it has been a nightmare for them. Expansion of the net metering is important to small farming operations in the state. Giving unused excess credits over to electric utilities once a year does not make a lot of sense, especially when one is trying to finance a renewable energy system.

(With concerns) There is the danger that a customer-generator, especially one with a large net metering system, could hold onto and accumulate excess generation credits for years and then cash out those credits. This could be a great deal of money and could create financial problems for smaller utilities. Because these systems would become a qualifying facility under the Federal Energy Regulatory Commission (FERC), there would be a great deal of paper work for a customer-generator to fill out.

(Opposed) Going to two megawatts capacity for a net metering system is inconsistent with the primary principal of net metering which is to offset part or all of a customer-generator's electricity needs. This would really be an incentive for commercial generation. The cash paid out at avoided cost would have to be authorized by the FERC and the facility would have to register with the FERC. There are concerns about cost shifts that would occur between the ratepayer and the customer-generators by increasing the cumulative generating capacity to 5 percent of a utility's peak demand.

Persons Testifying: (In support) Chris Cheny, Washington State Dairy Federation; and Stanley Florek, Wallingford Solar Initiative.

(With concerns) Kent Lopez, Washington State Rural Electric Cooperatives Association; Dave Danner, Utilities and Transportation Commission; Tony Usibelli, Department of Commerce; Collins Sprague, Avista Corporation; and Kathleen Collins, PacifiCorp.

(Opposed) Ken Johnson, Puget Sound Energy; and Dave Warren, Washington Public Utilities Districts Association.

Persons Signed In To Testify But Not Testifying: None.